

**Subject:** Re: Back to School next year...

**From:** "Philip Schiller" [REDACTED]

**Received(Date):** Fri, 15 Feb 2013 04:38:05 +0000

**To:** "Eddy Cue" <[REDACTED]>

**Cc:** "Tim Cook" [REDACTED] >

**Date:** Fri, 15 Feb 2013 04:38:05 +0000

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I reiterated to the team that this is just a proposal to be evaluated against repeating the iTunes card we did last year and nothing is approved until all the decision makers meet and discuss the proposals

I do think the new proposal may be better than the iTunes card. It is about the fact that your life is better when you have many of our devices (Mac, iPad, iPhone, etc) all working together with the apps and iCloud ecosystem (sorry this isn't crisp, we just talked about it today). The hope is to not only sell Macs and iPads to kids going to college but also increase the appeal of iPhone to young people as well. The \$ off on each could be stacked (ex get \$150 if you purchase a Mac and iPhone).

On Feb 14, 2013, at 6:45 PM, Eddy Cue [REDACTED] > wrote:

Great, I was told that BTS was decided and I just wanted to make sure you guys were involved.

And yes BTS is unrelated but I wanted to make the point because our sales teams (don't like the card margin and therefore don't see the ecosystem) and so they don't push it.

Let me know if you need any data to help make the case for the ecosystem.

Sent from my iPhone

On Feb 14, 2013, at 6:57 PM, Philip Schiller [REDACTED] > wrote:

Sounds like you have issues with the card sales in retail, which is unrelated to what we do or don't do for BTS

We had our very first meeting brainstorming BTS ideas today and that is an idea that is proposed (for a bunch of ideas behind just the price which need to be explained before anyone jumps the gun and reacts to a proposal that hasn't been made yet). The team is going to model the idea and come back to discuss it.

On Feb 14, 2013, at 5:51 PM, Eddy Cue [REDACTED] > wrote:

I understand that we have tentatively decided for a discount of \$100/\$50/\$50 for Mac/iPad/iPhone. Did we think that customers would buy significantly more if we gave them a straight discount instead of an iTunes card? If this isn't a huge difference, I think we are making a mistake. We are discounting our product instead of adding value to them. Getting customers using our stores (iTunes, App and iBookstore) is one of the best things we can do to get people

**Exhibit**  
**PX 405**

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hooked to the ecosystem. The more people use our stores the more likely they are to buy additional Apple products and upgrade to the latest versions. Who's going to buy a Samsung phone if they have apps, movies, etc already purchased? They now need to spend hundreds more to get to where they are today.

On a related note, our apple stores (online and retail) are the only distributors around the world that decreased year over year in iTunes card sales. We are starting to make progress again with retail but it is always an uphill battle. Our teams just don't get the ecosystem. We (Val and team) just heard from Jennifer that iTunes cards are not a priority for her. This is ridiculous. Who leaves Apple products once they've bought apps, music, movies, etc!

We don't allow 3rd party retailers to market our products with iTunes cards as a discount. This is fully funded by the retailer but need our approval for newspaper ads. In the meantime, Samsung is discounting and giving crap away everywhere. An iTunes card has significant value to us and should not be viewed as a straight discount.

Samsung is now pushing Google Play cards with placement right below the phones -  
<Screen Shot 2013-02-07 at 4.56.47 PM.png>

We haven't been putting our cards with our product displays (at 3rd parties) since the iPod. They have to be at a different location. We should have gift cards on the tables like we do in Apple retail. We should also consider having them pegged on all end cap of hardware.

Enough ranting... here is good news... the cards today in Walmart and Target.

<PastedGraphic-36.png>

Also last month's sales -

- January worldwide sales were \$308M, +57% YoY, well above forecast.
- The story was all about Japan 333% growth year over year. Currently, Japan is selling at 80%+ the rate of the US business. Exceptional new retailers, strong channel marketing, the "Puzzles & Dragons" phenomena, and the Sony music catalog all play a part in this fantastic success.
- 65% of January gift card sales came outside the US. This is an all time high!

We plan to do \$4 billion in gift cards this year. If we unleashed ourselves, we would make it \$5 billion.

--- Eddy